

Merger – an old solution to a new problem?



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“Merger is a significant step to take, but with preparation and good planning, the result can be a new whole that is greater than the two halves”

At one end of the collaboration spectrum lies a full merger with another organisation. Not to be entered into lightly, this is nevertheless a well-trodden path. Some of the implications are explored below and in other articles in this update. Could it be the solution for you?

When times are good, a merger under conditions of pressure, as a financial last resort, is not to be recommended. Evidence from [The Institute of Voluntary Action Research](#) shows that mergers work best when undertaken for positive reasons – such as a desire to maximise impact, an alignment of goals, an extension of existing collaborations, and so on. But, in the current circumstances, the main motive for merger may be to enable your charity’s work to continue. And there are a number of ways in which this can be done, from a staged, lighter-touch approach to a comprehensive merger starting from an agreed ‘completion date’.

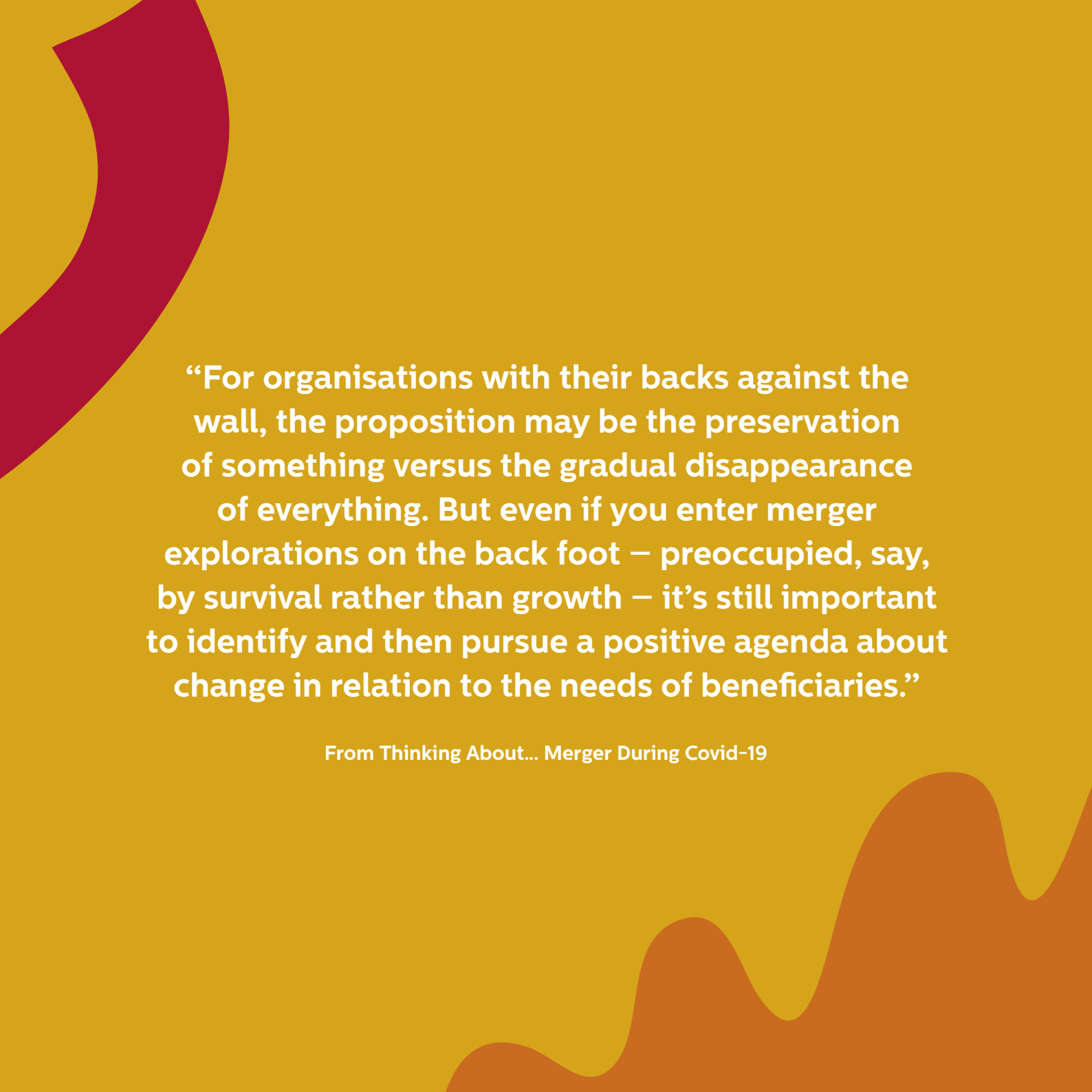
If you are considering a merger, we would strongly encourage you to read the publication we produced recently with IVAR – [Thinking About... Merger During Covid-19](#) – and, in particular, to take the following steps (all of these are covered in more detail in the publication).

- Undertake due diligence into the proposed merger partner. This should, of course, include financial due diligence. On the legal side, due diligence will cover key issues such as: compatibility of charitable purposes (as set out in each charity's governing documents); the existence of ongoing complaints, regulatory intervention or legal claims; ownership of property, including intellectual property (for more on the real estate implications, please see Amanda's article on page 13); and the status of employees.

- Consider what legal structure(s) should exist when the entities are merged – for example, will there be a single combined entity, will one charity cease to exist entirely, will both charities continue in some form, will separate trading entities continue?
- Allow sufficient time to inform and consult with staff under TUPE regulations.
- Consider how trust monies and restricted funds might be affected.
- Consult with grant funders and commissioners to ensure that the merger will not result in a breach that could lead to termination of funding or contracts.
- We would also recommend that you use **the decision tool** we have created with input from NCVO.

Merger is a significant step for an organisation to take, but with preparation and good planning, the end result can be a new whole that is greater than the two halves that previously existed.





“For organisations with their backs against the wall, the proposition may be the preservation of something versus the gradual disappearance of everything. But even if you enter merger explorations on the back foot – preoccupied, say, by survival rather than growth – it’s still important to identify and then pursue a positive agenda about change in relation to the needs of beneficiaries.”

From Thinking About... Merger During Covid-19



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